



State of Wisconsin  
**Department of Health and Family Services**

Jim Doyle, Governor  
Helene Nelson, Secretary

### Pharmacy Cost Containment

Change to Base	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
Prior Authorization	-\$21,249,100	-\$47,469,000	-\$30,518,200	-\$68,585,000
Recipient Co-pays	-\$2,714,900	-\$6,573,700	-\$4,072,400	-\$9,858,100
Mail order pharmacy	-\$397,300	-\$962,000	-\$397,300	-\$961,800
Fees for Drug Dispensing	-\$1,787,900	-\$4,329,000	-\$1,986,500	-\$4,808,800
TOTAL	-\$26,149,200	59,333,700	-\$36,974,400	-\$84,213,700

### Description of Proposal

- For Medicaid, BadgerCare and SeniorCare, expand the use of prior authorization and allow the Department to implement further pharmacy cost containment measures including a preferred drug list to leverage supplemental rebates.
- For Medicaid and BadgerCare, increase recipient co-pays to \$3 from \$1 for brand name drugs and increase the monthly maximum limit for co-payments to \$12 per month from the current \$5. The current \$1 co-payment for generic drugs would not be changed.
- For Medicaid, BadgerCare and SeniorCare, implement a voluntary mail order pharmacy program for individuals receiving maintenance drugs.
- For Medicaid, BadgerCare and SeniorCare, eliminate enhanced pharmacy payments for unit dose dispensing, repackaging pharmaceuticals, and pre-filled injectible syringes.

### Background

- Wisconsin provides prescription drug benefits in Medicaid, BadgerCare, and SeniorCare. Together, prescription drug expenditures for these three programs are expected to be approximately \$600 million in SFY2003.
- Prescription drugs are the fastest growing component of health care costs nationally. In Wisconsin, Medicaid expenditures for drugs are estimated to increase 14.9% in FY04 and 14.3% in FY05.
- Wisconsin currently uses prior authorization to encourage the use of less expensive generic drugs when it is determined that a generic drug provides as effective treatment as the more costly brand name drugs. Prior authorization slows the rate of increase in drug expenditures without impeding access to therapeutically effective drugs.
- Other states, such as Florida and Michigan, have achieved drug savings by establishing a preferred drug list to leverage supplemental rebates or other programs to address quality of care or drug utilization. Drugs manufacturers have challenged this approach in courts, and although the legal process is still active, have not yet been able to obtain an injunction.

- In Wisconsin Medicaid and BadgerCare recipients are subject to a \$1 per prescription co-payment for brand name drugs and generic drugs with a maximum of \$5 per month per recipient per pharmacy. Nursing home residents and children are exempt from this charge. For a significant number of MA clients, the number of prescriptions purchased exceeds 5 per month.
- Mail order pharmacies offers a way for Medicaid to reduce expenditures for individuals taking maintenance drugs. DHFS may establish an exclusive contract with one or more mail order pharmacies to provide maintenance drugs, such as insulin and diabetes supplies. Recipients would be able to receive their medications directly at their homes by mail.
- Currently, Medicaid gives enhanced pharmacy payments for unit dose dispensing, repackaging pharmaceuticals, and pre-filled injectible syringes.

## **Rationale for Proposal**

- Use of prior authorization process is a proven effective policy allowed under federal Medicaid regulations to encourage the use of less costly drugs without preventing access to necessary and appropriate drugs.
- Other cost containment tools, such as a preferred drug list to leverage supplemental rebates, are currently being used in other states to reduce prescription drug expenditures in Medicaid programs.
- Implementation of a mail order pharmacy program will save the state money while creating a delivery system that may be more convenient and improve health outcomes for some recipients.
- Few third party payers enhance pharmacy payments for unit dose dispensing, repackaging pharmaceuticals, and pre-filled injectible syringes. Eliminating enhanced pharmacy payments will be cost effective and more consistent with other third party payers.